

OFGEM HEAT NETWORKS REGULATION CONSULTATION: FAIR PRICING PROTECTIONS

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EXECUTIVE SUMMARY

Our responses to the full Ofgem consultation questions are detailed below. However, we felt it important to first present our overarching perspective in the hope that Ofgem will consider changes to the proposed benchmarking framework that better safeguard consumers, particularly the most vulnerable, from the risk of unfair heat pricing.

We recognise that the heat networks market is inherently complex, and that developing a regulatory framework for both existing and future networks within a rapidly evolving energy landscape presents a considerable challenge. Retrospective regulation must strike a careful balance to address the needs of legacy systems while enabling innovation and investment in future schemes.

Broadly, we are supportive of the proposed regulatory approach and welcome the early focus on fair pricing. Establishing transparent and equitable pricing mechanisms will be essential to instilling confidence in the market, attracting long-term investment, and ensuring that both current and future customers feel protected and fairly treated.

However, we do have reservations regarding the proposed method for regulating heat price setting. Given that heat networks are effectively monopolistic assets, the role of Ofgem in ensuring fair and reasonable pricing is of paramount importance. It is essential that regulatory oversight provides robust consumer protection, particularly for vulnerable households.

In this context, we would like to raise specific concerns regarding the proposals around price comparison and benchmarking methodologies. Allowing suppliers to set their own prices, subject only to retroactive corrections from Ofgem in instances of overpricing, risks leaving customers exposed to prolonged periods of unfair charges. While the regulatory framework may include provisions for compensating customers in the event of overcharging, the delay in redress could have serious consequences. Vulnerable customers, in particular, may suffer adverse financial impacts during this period, potentially being pushed into fuel poverty before any remedial action is taken.

We are also concerned about the practicality of Ofgem undertaking detailed reviews of supplier-set prices across the entire heat network market. This approach could place a significant administrative burden on the regulator and may limit its ability to respond swiftly and effectively to instances of overcharging.

We believe a more efficient and protective approach would be to require all suppliers to adopt a standardised methodology for calculating and setting heat prices. Mandating the completion of structured pricing calculations would provide Ofgem with a consistent basis for assessment and challenge, improving transparency and reducing the resource intensity of regulatory oversight.

We acknowledge the diversity of heat networks, ranging in supply source, technical design, and customer base. However, despite this variety, the core principles of heat pricing remain broadly applicable across the board. Heat network consultants, developers and others in the sector routinely navigate these complexities and are capable of applying standardised methodologies that accommodate different network characteristics.

While we appreciate that Ofgem's proposed benchmarking approach (based on counterfactual heat supply) is conceptually sound, we suggest a refinement. Specifically, we recommend that air source heat pumps (either individual or networked) be adopted as the universal low-carbon counterfactual for the purpose of setting heat prices. This would streamline the review process for Ofgem and improve comparability between schemes. We propose that this benchmarking mechanism be used to determine heat prices directly, rather than merely as a tool for post-hoc comparison or challenge. Where deemed appropriate to do so for specific customer types (e.g. vulnerable customers), incumbent fossil heating systems (e.g. natural gas boilers) can be used to define heat prices.

We understand through engagement with Ofgem that amending the benchmarking approach in this way may require revisions to the Energy Act 2023 and, consequently, approval from the Secretary of State. We recognise this may represent an insurmountable procedural hurdle, therefore we encourage alternative avenues to implement this refinement be actively explored.

#	Consultation Question	Agree / Disagree / Impartial	Full Response
Fair Pricing Framework			
1	Fair Pricing Framework: Have we identified the right set of fair pricing consumer objective, principles and outcomes and are these properly defined? If you disagree with this proposal, please specify what changes you would like to see and provide a justification.	Agree	<p>Yes. The proposed framework presents a coherent set of principles and outcomes. The emphasis on cost reflectivity, efficiency, and affordability is welcome, and the high-level definitions are useful starting points for implementation.</p> <p>However, further clarity is needed on how competing principles (such as affordability versus fair returns) will be balanced in practice, particularly where legacy costs or technical inefficiencies create upward pricing pressures. In such cases, operators may struggle to meet cost-reflective pricing expectations without additional guidance or flexibility.</p> <p>There is also a need for clearer definitions of regulatory responsibilities to avoid overlap or double-regulation. While the framework references expectations around cost efficiency, this must be carefully aligned with the Heat Network Technical Assurance Scheme (HNTAS), which will separately mandate technical performance standards. Similarly, overlaps with emerging heat network zoning regulation, particularly around pricing and returns, should be addressed to avoid conflicting requirements or uncertainty for operators.</p> <p>Finally, more specific guidance would be helpful on how principles such as long-term system efficiency or the treatment of corporate risk will be applied in practice, especially where they could materially affect tariff structures or investment signals.</p>
2	Fair Pricing Framework: Do you agree with our proposals to develop the fair pricing guidance in relation to the principles (please note that questions on cost allocation proposals, including guidance, are asked separately under Chapter 3: Cost allocation). In particular: a) have we identified the right areas to be covered by the guidance implementing the fair pricing principles (see paragraph 2.53 for a summary of the areas we are proposing to develop in guidance under each principle)? If you disagree with this proposal or think other areas should also be included, please specify what changes you would like to see and provide a justification. b) Do you agree with the specific proposals to develop each of these areas in guidance? If you disagree, please specify what changes you would like to see and provide a justification."	Agree	<p>a) Yes, though some areas could benefit from further detail and clarification. For example, capital cost recovery would be more effective if more clearly defined, including how it should be treated across different asset lifecycles and investment models. Likewise, corporate risk and the treatment of shock bills are nuanced areas that may require more tailored guidance to ensure consistent application across the sector. We would also welcome more detail on areas such as fuel procurement and hedging, where current practice varies significantly.</p> <p>b) Yes, and to be as effective as possible, the guidance will need to strike the right balance between promoting best practice and allowing for justified variation. For instance, while standardising fuel procurement expectations may help manage consumer risk, the framework should also support supplier diversity and reflect differing contractual models. Additionally, some of the proposed guidance overlaps with areas already covered by the Heat Network Technical Assurance Scheme (HNTAS), such as data accuracy, maintenance, and efficiency. In these cases, it would be helpful for Ofgem to clearly signpost to HNTAS rather than create duplicative guidance.</p>
3	Fair Pricing Framework: Do you agree with the proposed 'fairness test'? In particular: a) Do you agree with the high-level features of the fairness test (principle based, reasonableness, case-by-case basis, and objectivity)? b) Do you agree with our proposals to implement the fairness test discussed in Appendix 1: Fairness test?	Agree	<p>a) Yes, especially with the recognition that case-by-case assessment and objective tools such as benchmarking will be critical to ensuring fair outcomes. However, the application of the term “reasonableness” will require strong interpretive guidance to avoid subjective or inconsistent judgements. Greater clarity is also needed on how key variables, such as geographical location or customer type, will be factored into assessments.</p> <p>We would also support benchmarking that accounts for historic under-recovery of costs, particularly in sectors like social housing, where heat networks have often operated at a loss and been subsidised by other income streams such as rent. Assessments must consider this context to avoid penalising historically loss-making operators as they move towards financial sustainability.</p> <p>b) Yes, we broadly agree with the fairness test proposed in Appendix 1 and support its strategic rollout. However, the test currently focuses on fairness through comparison to peer networks and appears to overlook affordability in relation to household income. Incorporating income-based affordability into the fairness assessment would provide a more complete picture, particularly for vulnerable customer groups. If assessments are to be made on a case-by-case basis, then they should explicitly reference relevant customer circumstances.</p>

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4	Fair Pricing Framework: Does the revised authorisation condition, ‘fair pricing’, reflect the policy intent?	Agree	<p>Largely yes, but there could be more clarity on how the interaction between the authorisation condition and evolving guidance will work in practice, especially during early enforcement phases.</p> <ul style="list-style-type: none">• There should also be greater clarity on how trade-offs between principles, for example, affordability versus fair returns, will be handled.• Without clearer guidance, there is a risk of inconsistent interpretation and enforcement, undermining the policy objective of delivering fairness across the sector.
5	<p>Market Segmentation: In relation to market segmentation (please note that we are asking in relation to the considerations discussed in paragraphs 2.58-2.61, segmentation considerations in relation to price benchmarking are considered under Chapter 4: Price comparison and benchmarking methods):</p> <p>a) Have we identified the right characteristics for market segmentation, and are these correctly defined?</p> <p>b) Do you agree with the segmentation approach discussed for each of these characteristics?</p>	Agree	<p>a) Yes, the list is comprehensive and well considered; however, some definitions may benefit from further refinement. For example, the distinction between ‘profit’ and ‘non-profit’ operators should be more clearly defined in operational terms, particularly in cases where not-for-profit organisations may still generate surpluses for reinvestment. Similarly, the treatment of ‘housing tenure’ should reflect the complexity of mixed-tenure developments, where residents may fall under different contractual and pricing frameworks within the same scheme.</p> <p>In addition, segmentation by network type should be approached with care. The current definitions based on district vs. communal networks are not always meaningful in practice. For example, networks with a single building but complex customer types may face similar challenges to those serving multiple buildings. Likewise, grouping together all networks with more than one building risks conflating very different systems.</p> <p>b) Yes, in principle. The approach to market segmentation appears sensible, but its implementation must be carefully managed to avoid unintentionally creating a two-tier system. For example, it may be appropriate to exempt smaller or not-for-profit schemes from some requirements, but there should still be baseline expectations around transparency, reporting, and customer protection across all networks. Without these, there is a risk of creating loopholes or undermining consumer confidence in parts of the sector.</p>
6	Data Requirements: Of the information listed in Table 3 below, what do heat networks already regularly collect and can be easily reported?	Impartial	<p>Nearly all networks are already collecting billing data (unit and standing charges), customer numbers, and energy usage. Financial data such as revenue and major operating costs (fuel, maintenance. etc.) should also be accessible for most networks. However, the ease of reporting will depend on system and contractual capabilities.</p>
7	Data Requirements: Of the information listed in Table 3 below, which items would be more challenging for heat networks to report?	Impartial	<p>Both network-level operating metrics and profitability data may be challenging to provide consistently -many of these metrics are not routinely tracked, especially on legacy schemes. This is particularly true for not-for-profit or arm’s-length operations, where formal profitability reporting may not exist in a standardised format.</p> <p>We are also concerned about the potential for parallel reporting requirements, particularly where similar data may be requested under the Heat Network Technical Assurance Scheme (HNTAS). Without alignment on metrics and reporting schedules, there is a risk of unnecessary administrative burden on operators, especially smaller ones, which could detract from delivery of core services. Better coordination between regulatory bodies is needed to ensure consistency, avoid duplication, and reduce compliance costs.</p>
8	Data Requirements: Of the cost drivers listed in Table 7 (in Appendix 3), which items would be more challenging for heat networks to report?	Impartial	<p>Items such as network efficiency and operating temperature may be difficult to provide without investment in appropriate monitoring and data collection systems. This is especially true for smaller or older networks, which are less likely to have this level of instrumentation in place. In many cases, legacy networks were not designed with ongoing data capture in mind, and retrofitting the necessary equipment could impose significant costs.</p> <p>Additionally, some metrics, such as network type or generation, may not be consistently defined or may be misleading without further context. For example, network generation (kWh/year) can be a confusing or redundant indicator when operating temperature and efficiency data are already considered. Similarly, network age may offer limited insight in isolation, particularly where significant refurbishment has taken place.</p>

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			We believe that technical performance indicators such as efficiency and temperature should be captured and assessed through the Heat Network Technical Assurance Scheme (HNTAS), and not duplicated within Ofgem’s reporting requirements. A streamlined approach would reduce duplication, improve consistency, and reduce the reporting burden for operators. Furthermore, detailed property characteristics (such as age and building type) may be difficult to obtain where networks supply third-party owned buildings, highlighting the need for realistic and proportionate data expectations.
9	Data Requirements: Should certain types of heat networks have more limited data reporting requirements? If so, which heat networks should these reduced requirements apply to, and what data should they be exempt from reporting?	Disagree	No. <ul style="list-style-type: none">Introducing different reporting standards for different types of heat networks risks creating loopholes, where operators could interpret or structure their arrangements to limit their reporting obligations. Applying standardised requirements ensures all operators are held to the same transparency and accountability.Having standardised requirements minimises the complexity and resource burden involved in assessing compliance across varying reporting requirements for different types of heat networks.
Cost Allocation			
10	Do you agree with our proposed prescriptive rule that GSOP payments, compensations, fines, penalties and other redress provided to consumers should not be passed through to customers?	Agree	<p>Yes, GSOP payments and redress should not be passed to customers.</p> <p>However, it is difficult to ensure and monitor that suppliers do not shift costs to operators. As highlighted earlier in our response, Ofgem should ensure that all definitions are unambiguous to avoid loopholes. For example, it should be clearly distinguished whether administrative fees or ""service improvement charges"" can be used to offset penalties.</p> <p>Operators may unknowingly pass these costs on, undermining the rule’s intent. The rule should explicitly require redress to be provided to consumers promptly, without relying on future billing cycles where pass-through might otherwise occur.</p> <p>Clear guidance and transparency across the chain will be essential. Robust reporting mechanisms should be introduced to verify that operators do not circumvent the rule (e.g., via inflated base prices).</p>
11	Do you agree with the draft best practice guidance provided? Is there anything that should be added? Should any of the best practice guidance be strengthened to prescriptive rules?	Impartial	<p>More detailed best practices would require all suppliers to adopt a standardised methodology for calculating and setting heat prices. Mandating the completion of structured pricing calculations would provide Ofgem with a consistent basis for assessment and challenge, improving transparency and reducing the resource intensity of regulatory oversight.</p> <p>Hence, Ofgem should provide even clearer guidance on pricing calculations and cost allocation. Without a clear guidance, there is a risk of inconsistent interpretation. Pricing should be required to reflect actual costs, including capital, operational, and maintenance costs, with clear justification for any mark-ups and contingency.</p>
12	Do you think that the best practice approach to cost allocation should differ for different types of heat networks, or different types of suppliers? If so, for which types and how?	Agree	<p>For clarity and ease of following the best practice, the core principles of heat pricing should remain broadly applicable across different types of heat networks and different types of heat suppliers.</p> <p>However, the best practice approach to cost allocation should consider the diversity of heat networks to a degree. And more importantly, the guidance should clearly state how certain aspects should be considered when allocating costs for tariff setting.</p>
13	Does the authorisation condition, ‘cost allocation’, reflect the policy intent?	Agree	The condition requires licensees to clearly define and justify cost allocation methodologies, which supports the policy goal of fairness. However, concerns may arise if the guidance lacks specificity, allowing for inconsistent interpretations. There is a concern on wider networks where different losses occur at different points of the network.
14	What other feedback do you have on the proposed approach to cost allocation?	N/A	-

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Price Comparison and Benchmarking Methods			
15	Do you agree with our proposed approach for defining heat network prices in a comparable way? Are there any other ways to define price that we should consider?	Disagree	<p>We do not agree with the proposed approach on defining heat network prices as costs are allocated in very different ways across networks. Instead of setting a single comparable price it would be preferential to break pricing down into two parts – standing charge and variable charge. This would make it easier to present prices in a way that all consumers can understand and compare.</p> <p>Benchmarking the total price consumers pay is not practical as there are many variances for example on the type of development, the network set up and the end customers. A single price would not reflect these differences.</p> <p>The standing charges are complex with numerous factors to consider. These are challenging to benchmark until clear rules are introduced to standardise it across the sector.</p> <p>To help customers understand and compare prices properly, the benchmarking should show both parts of the tariff separately. Also it would be beneficial to have prices grouped by customer type. E.g. social housing tenants may have a low or subsidised standing charge as opposed to a leaseholder who may pay full costs.</p> <p>The proposed pricing methodology doesn’t take into account the building characteristics. The building fabric and the design of the heat networks can affect heat usage and costs. Nor does it account for how different customers use heat. Using just an average figure or even splitting into low/medium/high consumption groups will not reflect these real differences.</p> <p>If the aim is to prevent overcharging then splitting the tariff into variable and standing charge, by network type and by customer type would be more accurate a fair. This would also need more detailed data than what is being currently suggested.</p>
16	Do you agree with our proposal to use gas boilers and heat pumps as external reference benchmarks?	Partially Agree	<p>We partially agree with this proposal, but benchmarks need to be more detailed to avoid confusing customers.</p> <p>To be useful benchmarks should reflect realistic alternatives, that are relevant to the customer’s situation for example someone living in a new development shouldn’t be compared to having a gas boiler as that is not a realistic or fair comparison.</p> <p>Ideally there should be a wide set of benchmarks that take into account building type, energy use patterns, local power grid constraints or infrastructure costs.</p>
17	Do you agree with the proposed method for calculating a heat pump benchmark, including the key input parameters outlined? Are there any additional factors that should be considered to ensure a robust heat pump benchmark?	Partially Agree	<p>We broadly support the principle of developing a heat pump benchmark to support price comparisons. However, we believe that the proposed methodology requires further refinement to ensure it reflects real-world conditions and supports fair, like-for-like comparison with heat networks.</p> <p>Key input parameters, such as the assumed efficiency (SCOP), capital and maintenance costs, and electricity tariffs, must reflect the practical realities of heat pump operation. In particular, SCOP values should be based on monitored in-use performance rather than theoretical assumptions, and should vary depending on building type, occupancy profile, and geographical location. Standardising this across diverse developments, particularly dense urban flats where heat pumps may be impractical, will be challenging.</p> <p>We also recommend ensuring that the structure of electricity tariffs used in the benchmark, particularly the balance between standing charges and unit rates, is handled in a way that is consistent with the proposed heat network benchmarking method. This will ensure that comparison across systems is based on equivalent usage and cost structures.</p>

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			In summary, while we agree with the principle, we believe that further refinement is needed to ensure the benchmark is representative and applicable across a wide range of customer types and property archetypes.
18	Do you agree with the proposed approach to comparator benchmarking, and our list of potential cost drivers set out below and in Appendix 3: Cost driver? Are there any relevant cost drivers that we haven’t considered?	Partially Agree	<p>We support the proposed approach to comparator benchmarking and recognise the value of combining archetype grouping with regression-based modelling. This dual approach allows for more nuanced and statistically robust comparisons across a diverse sector, provided that the underlying data is accurate and well-structured. As noted in our executive summary, however, we do not agree that benchmarks should only be for comparison purposes, but should be used to set customer heat prices.</p> <p>We also agree that cost drivers are essential to understanding and contextualising heat prices, and the high- and medium-importance lists set out in Appendix 3 represent a strong starting point. However, there are a few important additions and clarifications we would suggest.</p> <p>Tariff structure itself should be considered a cost driver or at least a categorisation factor. Whether a network recovers costs through a predominantly fixed or variable charging model can significantly influence the total charges perceived by consumers and should be accounted for in any comparison exercise.</p> <p>Customer mix is another important consideration. Networks serving a higher proportion of social housing tenants may operate under different subsidy arrangements or service expectations compared to networks serving predominantly private or commercial customers. This affects both the actual costs incurred and the structure of tariffs, and so should be reflected in comparator groupings or model calibration.</p> <p>While network age is listed as a medium-importance driver, we would argue that it should be elevated in priority. The performance and efficiency of older assets, particularly those installed without contemporary controls or insulation standards, can materially influence the cost to deliver heat. Similarly, the extent to which older networks have been retrofitted or optimised may vary widely and should be factored into assessments of cost reflectivity.</p> <p>Overall, we are supportive of the approach but recommend that comparator models remain flexible and continue to evolve as new insights and data become available.</p>
19	What is your view on the ease with which data could be reported on the four ‘High Importance’ cost drivers set out in paragraph 4.33? What information do heat network operators and suppliers already collect, and what would be challenging to provide?	N/A	<p>In our experience, most heat network operators already collect and maintain data on the four ‘High Importance’ cost drivers, although the ease of reporting varies depending on the age and sophistication of the network.</p> <p>Technology type and fuel input: Data on technology type and fuel input is generally straightforward to report, as it is routinely captured in contractual documents such as O&M agreements or EScO service contracts as well as OPSS notifications for new and existing heat networks.</p> <p>Fuel price: Likewise, fuel prices are commonly recorded in billing and procurement systems; however, translating diverse contractual structures—such as spot purchases, indexed rates or hedged contracts—into a standardised pence-per-kWh metric may require additional effort or supporting guidance to ensure consistency.</p> <p>Network pipe length: Network pipe length is often readily available for modern heat networks, especially where GIS mapping or digital as-built drawings exist. However, for older communal systems or those managed by housing associations, digitised infrastructure data may be incomplete, requiring one-off surveys or manual estimations to produce reliable figures.</p> <p>Annual network heat demand:</p>

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			<p>Reporting annual network heat demand should be relatively straightforward for metered systems where building-level or network-level meters are installed and regularly monitored. However, unmetered legacy schemes, particularly those operating without automated building management systems (BMS), may need to rely on estimation methodologies or back-calculation from fuel inputs and assumed losses. In these cases, additional clarity on acceptable estimation approaches would be beneficial.</p> <p>Overall, two of the four cost drivers, technology type and fuel price, should be low burden for most operators. The remaining two, pipe length and heat demand, may involve some initial effort for older or less technically advanced networks but should be manageable, especially if supported by clear reporting templates and definitions.</p>
20	What is your view on the ease with which data could be reported on the remaining ‘Medium Importance’ cost drivers set out in paragraph 4.33? What information do heat network operators and suppliers already collect, and what would be challenging to provide?	N/A	<p>For many of the medium-importance cost drivers, data is already held by operators and reported by heat suppliers to OPSS, particularly those managing modern or regulated and viable schemes. Characteristics such as network type (district or communal), number of connections, metered status, and basic operating temperature ranges are typically available through design documentation, operational records, or metering platforms. Heat suppliers submitting the initial new network notification to OPSS already report on network type, first operation date, utility supplied, metering, number of customers and geographical location.</p> <p>However, there are some areas that may be more challenging to report, particularly for older networks or smaller operators with limited digital systems. For example, the generation type (e.g. third-, fourth-, or fifth-generation network) is not always recorded in a standardised way and may require clear definitions and guidance to ensure consistent reporting. Similarly, while annual network generation and detailed operating temperature data may be available through BMS or SCADA systems, not all operators will have the infrastructure or data capture capability to report this accurately without further investment.</p> <p>The cost recovery approach, whether a network follows a cost-recovery, fixed-profit or commercial profit model, may also be difficult to categorise cleanly, especially where historic charging policies have evolved over time or where a blend of approaches is used. Further clarity on definitions and expectations here would be helpful, with exemptions to be offered to exempt network suppliers until viability status changes.</p> <p>Overall, the majority of the medium-importance cost drivers can be reported without undue burden, particularly if reporting templates are user-friendly and supported by clear guidance. For more complex or ambiguous variables, we recommend that Ofgem allows for a transition period and works with operators to refine definitions and streamline data submission processes.</p>
21	What is your view on our proposal to publish a high-level methodology for each benchmark (once data is collected and methods have been tested), to provide an accessible overview of the approach?	Agree	<p>We support publishing a concise, plain English methodology for each benchmark once initial testing is complete. Transparency will:</p> <ul style="list-style-type: none">• build trust among consumers and investors,• give operators clarity on how their data will be used, and• provide a stable basis for future enforcement. <p>We recommend an iterative release: an outline methodology followed by a worked example using anonymised real data, and finally a technical annex for those needing full replicability.</p>
22	Do you have any other feedback on the proposed approach to price comparison and benchmarking?	N/A	<p>We welcome the multi-faceted approach to price comparison and benchmarking, recognising its potential value in promoting transparency and protecting customers from disproportionate pricing. However, it is vital that the implementation of benchmarking remains proportionate, dynamic, and grounded in the operational realities of the sector and variations posed.</p> <p>First and foremost, benchmarking results should not be used in isolation to trigger enforcement. Given the wide variation in network types, customer bases, and commercial models, any outliers identified should prompt further engagement or investigation, rather than automatic compliance action. It is essential that Ofgem adopts a pragmatic and case-by-</p>

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			<p>case approach to applying these benchmarks and offers appropriate variations where appropriate.</p> <p>Secondly, benchmarking should only apply to viable networks—those operating under the full regulatory framework. Exempt or legacy schemes should be excluded from the dataset used to define market norms until such time as they fall under the same obligations. Including them risks distorting the benchmarks and unfairly disadvantaging compliant operators.</p> <p>We also encourage Ofgem to consider how the benchmarking methodologies will evolve over time. For example, the external benchmarks (such as those based on heat pumps or direct electric heating) should be reviewed and recalibrated regularly to account for market changes, including technology costs and energy price fluctuations as well as any regulatory changes impacting the benchmarking standards.</p> <p>Consideration should also be given to carbon charges on heat. For example, some local authorities and councils in London have a carbon credit system for new developments, whereby the developer must pay a carbon offset charge to reach net zero (typically at a rate of ~£1,800/tCO2). Ofgem should consider how developers may try to recover this cost from customers, and whether this should be considered fair.</p> <p>Finally, we believe that the ongoing success of benchmarking and price comparison will depend on continued dialogue between regulators and the market. We suggest the establishment of a standing stakeholder working group to support continuous improvement in methodology and cost-driver definitions.</p> <p>Overall, we support the intent behind benchmarking but emphasise the importance of proportionality, sector engagement, and clear guidance throughout its implementation.</p>
Profitability Analysis			
23	Do you agree with the proposal for ongoing monitoring of profitability through data collection on EBIT margins for all heat networks?	Impartial	Customer costs should be front and centre. If the customers are receiving good service at a fair price that has been set based on regulatory guidelines, detailed profitability are not necessarily required. If profitability measures are used, margins around the acceptable profitability levels should not be too narrow.
24	How challenging would it be for heat network operators and suppliers to provide the data outlined for calculating EBIT margins? What barriers, if any, might affect the accuracy and completeness of the data?	Agree	<p>Providing data for EBIT calculation should not be too challenging for heat network operators and suppliers. All heat networks should be aware of their revenues and costs anyway. However, very clear guidance on which costs items can be included and which cannot, should be provided.</p> <p>Reliability of the data provided and ensuring like for like data is provided across heat networks is a key challenge. How will these be audited to ensure all data is provided as per instructions?</p>
25	As data collection improves, do you agree that more in-depth profitability assessments, for example using Return on Capital Employed (ROCE), should be conducted for networks identified as outliers through benchmarking?	Disagree	<p>We are not sure if it is realistic to think all heat network providers would be able to provide the data required for more in-depth profitability assessments. Improvement of data collection over longer period does not necessarily mean that more data would be available for the heat providers.</p> <p>Even if the data was available, it can be questioned if this level of profitability assessment are required and whether any metrics like ROCE give true and fair views of the financial position of the network in any longer term.</p> <p>Investment requirements and system upgrades are varied for different types of networks, any may have great annual variation. Therefore, there is a true concern whether any short-term analysis of profitability could be misleading or more importantly misinterpreted.</p>

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26	Do you have any other feedback on the proposed approach to profitability assessment?	Agree	The profitability analysis should consider a minimum as well as a maximum profitability. It is important that the heat providers are self-sufficient financially or there is a risk that essential utilities cannot be delivered to customers. This can give insight to government policy regarding financial support for operational heat networks if necessary.
Central Price Transparency			
27	What are your views on the three options? Please comment on each option in terms of the price information to be centrally published, how the price information is presented and what prices are compared to.	Impartial	Option 1 provides fair, detailed comparisons within similar networks but could be complex for consumers without good guidance. Option 2 is simple and quick, showing market averages but lacks context for price differences. Option 3 is very easy to understand with RAG ratings but risks oversimplifying and causing confusion. Overall, a combined approach might work best—detailed grouped data supported by simple market averages and clear RAG explanations to balance transparency and accessibility.
28	Do you think the options have the right balance between providing a good level of transparency, burden on consumers to interpret the information, risks of misinterpretation by consumers, disclosure of commercially sensitive information, and risk of price convergence?	Agree	Overall, yes, but with caveats. Transparency matters, but information needs to be explained clearly to avoid confusion. Simpler options share less detail, which helps protect sensitive business info, but they can be misunderstood without proper context. Clear explanations and FAQs should accompany any option to reduce confusion. Price convergence could be a concern, but it's less of an issue if comparisons are done carefully.
29	Do you support focusing on one option or a combination of options in paragraph 6.69?	-	A combination of options. Each one meets different needs—Option 2 gives a quick market view, Option 3 is easy for consumers to understand, and Option 1 allows for more detailed analysis. Using them together gives the best balance of transparency, accessibility, and depth.
30	Do you support the phasing in of the options described in paragraph 6.70?	Agree	Yes. Starting with Option 2 makes sense using current data, then adding Option 3 for clarity, and finally Option 1 when better data is ready. This approach balances quick progress with building a robust system over time.
31	Do you support the adoption of different options for different heat network groups described in paragraph 6.71?	Agree	Yes, tailoring options to different heat network types is sensible.
32	Do you agree that central price transparency measures are unlikely to put additional administrative burden on heat networks in addition to data reporting for benchmarking? Do you have concerns on the administrative burden from any options?	Agree	Yes, if the data requirements align with existing registration and monitoring processes, the additional burden should be minimal since most of the data is already collected for pricing. Regular communication with operators and clear data templates will be key to keeping administrative impacts low.
33	Do you think it is appropriate to link central price transparency with benchmarking?	Agree	Yes, linking price transparency with benchmarking makes sense since both are about promoting fair prices and helping consumers understand what they're paying for. Using the same data keeps things consistent and efficient. Clear benchmarks help providers run things fairly and make it easier for consumers to compare prices. The main thing is to explain the benchmarks clearly so there's no confusion and ensure that consumers are directed to their relevant benchmarks in the system. There is scope for significant confusion or complain to Ofgem should consumers see benchmarks/ comparisons which are not relevant and consequently give them an incorrect appraisal of their cost situation.
Price Investigations			
34	Do you agree with the approach to price investigations set out so far? Please provide reasons and views to support your response.	Partially Agree	<p>Agree in principle that Ofgem should have the power to take action and perform further investigations in cases where the prices are disproportionate.</p> <p>It remains unclear how it is determined whether the price is disproportionate and there is not much detail related to the guidance on price investigations in this consultation. As has been highlighted in the consultation, this area has dependencies on other elements of pricing protections and more of the details on this specific area can only be provided as there will be more clarity on other elements. As it currently is, it does not say much.</p> <p>It is great that the diversity of the sector has been acknowledged which means more case-by-case approach will be taken, meaning the documentation and data requests may vary. However, most likely it means that the guidance will remain vague and there will not be specific rules for the companies to follow.</p>

#	Consultation Question	Agree / Disagree / Impartial	Full Response
			<p>Also it is unclear what will happen in situations where the price is seen higher than the benchmark but for the overall financial viability of the company such high prices are required.</p> <p>Examples of the additional data requirements seem sensible and much of that would have been collected as part of the regular monitoring. However, return on investment and financing structure may not be easily available for the smaller heat networks.</p>